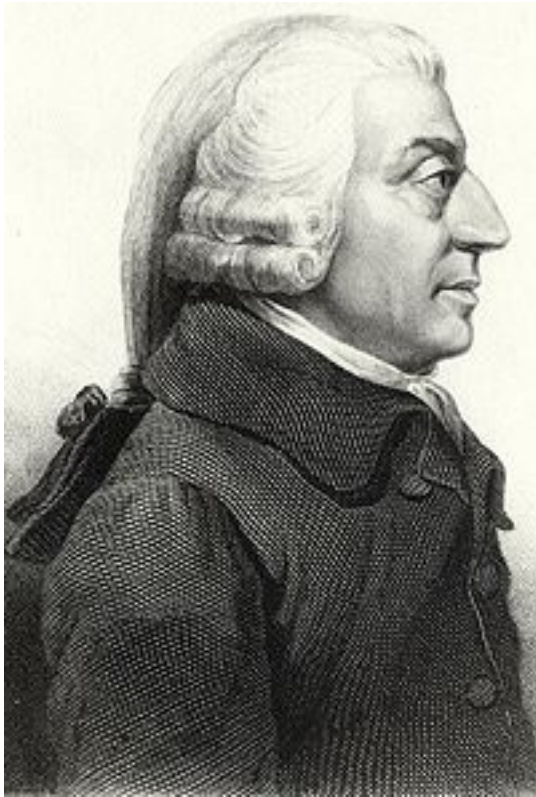


What determines the price of a t-shirt?

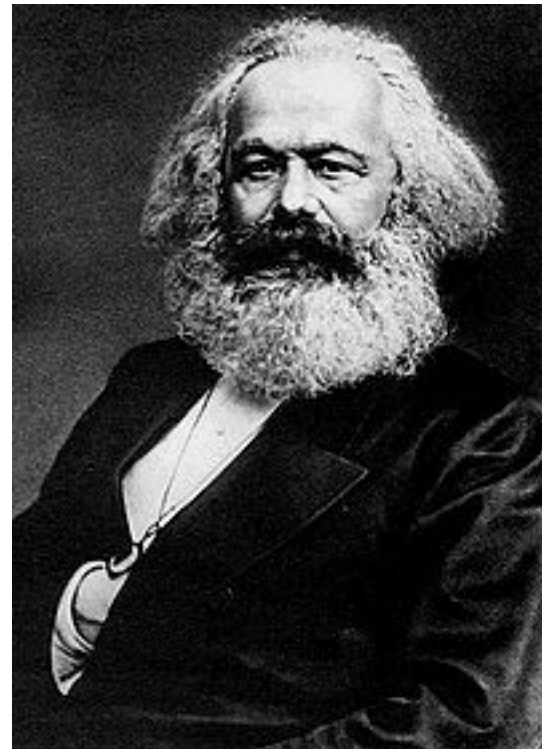


How might the government affect the price?

Economic Philosophies of the Industrial Age



Adam Smith



Karl Marx



The Industrial Revolution increased production and wealth. The field of economics developed as people studied how this wealth was created and spread.

Capitalism: An economic system in which the means of production are privately-owned and operated for a profit

- Adam Smith, in his book *The Wealth of Nations*, argued that governments should play no role in regulating trade
- The free market, Smith said, should be governed only by the laws of supply and demand
- “***Laissez-faire capitalism***”: when business operates in a completely free market, with no government control

How does a capitalist system work?

- Entrepreneurs start private businesses and compete for business
- The cost of goods is set by supply and demand
- The price of labor (wages) is also determined by supply and demand
 - If there are many workers available to do your job, your wage will remain low
- Profit can be maximized by increasing production and decreasing costs

What are the effects of a capitalist system?

- Business owners act in their own best interest, trying to seek profit
- Businesses compete against each other in an open market
 - → Goods become less expensive
 - → Quality of products goes up
- Class divisions between those who control the factors of production and those who do not

What are the critiques of capitalism?

- Biggest benefits go only to a small percentage of the people
- The people who provide the labor typically earn less than those who supply the capital
- Values profit over people and the environment

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CAPITALISM

WE RULE YOU

WE FOOL YOU

WE SHOOT AT YOU

WE EAT FOR YOU

WE WORK FOR ALL

WE FEED ALL

PYRAMID OF CAPITALIST SYSTEM

“Modern Times” movie clip

- 1936 movie by Charlie Chaplin
- Chaplin made it as a critique of modern industrial capitalism
- Look for imagery that represents the capitalist system that emerged out of the Industrial Revolution.
- Link to movie on YouTube
<https://www.youtube.com/watch?v=HAPilyrEzC4>
- (watch first 18 minutes)

“Modern Times” questions

What portrayals of capitalism do you see?

What messages might Chaplin have been trying send about industrialization and capitalism with this film?

Reformers: point out problems with society and suggest ways to fix the problems

- **Utilitarianism:** government should intervene in order to achieve the greatest good for the greatest number of people
 - Example: Pass laws that encourage workplace safety or limit child labor

Socialism: an economic system where the major industries are owned and controlled by the public, rather than by individuals or corporations

- Think of how a library works (as opposed to a “capitalist” bookstore), or the post office as opposed to FedEx
- Large parts of the economy are planned by the gov't, rather than letting prices and wages be determined by the free market

Marxism

- Based on the beliefs of Karl Marx, a German philosopher who was a critic of capitalism
- In his pamphlet *The Communist Manifesto* (1848), Marx argued that throughout history, there has been conflict between those who owned the means of production and those who provided the labor (Owner vs. Worker)
- For Marx, the Industrial Revolution had deepened this divide as owners had become increasingly wealthy

Marxism, continued

- Marx predicted that the poor workers would one day rise up and overthrow the owners
 - A socialist government would control production to benefit the public
 - This revolution would end class divisions, as all wealth and property would be shared
 - Eventually, there would be no need for a government, as all the means of production (land, labor, capital) would be owned by the people equally = **COMMUNISM**

Critiques of Communism

- Relies on people to be unselfish
- No competition between businesses, so there is less incentive to create better products at better prices
- Places the needs of the overall community over the freedom of individuals
- Hasn't ever really worked on a large scale
 - Has often led to one-party dictatorships
 - e.g. Communist Party uses authoritarian rule to enforce economic policies

Your Assignment

- λ Create a set of two political cartoons comparing capitalism and socialism (or communism) as they might have been viewed during the Industrial Revolution. Consider the different viewpoints held by those who owned capital and those who worked for a wage.